



## Small Business Health Care Tax Credit

**Employers who enroll in a Small Business Health Options Program (SHOP) plan may qualify for a Small Business Health Care Tax Credit that could be worth up to 50% of the costs of the employees' premiums.**

To qualify for this tax credit, an employer must meet all of the following:

- Have less than 25 full-time equivalent (FTE) employees.
- Have an average employee salary that is about \$50,000 per year or less (this amount is adjusted for inflation each year).
- Pay at least 50% of full-time employees' premium costs.
- Offer SHOP coverage to all full-time employees.

Employers are not required to offer coverage to part-time employees (those working less than 30 hours per week) or dependents to qualify for this tax credit. Also, seasonal workers are usually not considered full-time employees unless they work more than 120 days during the tax year. Non-profit employers may also qualify for a small business health care tax credit up to 35% of the employees' premiums.

### Smaller business qualify for larger credits

The amount of the credit an employer receives works on a sliding scale. Employers with less than 10 employees who are paid an average of \$25,000 or less qualify for higher tax credits.

| Small Business Tax Credit Scenario:        |  |
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| Number of employees:                       | 10   |
| Wages:                                     | \$250,000 total<br>((\$25,000 per employee)) |
| Employer contribution to employee premiums | \$70,000<br>(combined for all employees)     |
| Tax credit amount:                         | \$35,000<br>(50% of employer's contribution) |

For more information on the Small Business Health Care Tax Credit visit:

<https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace>. **Consult a tax professional for specific guidance and advice.**